STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY d/b/a Ameren Illinois, Petitioner, Rate MAP-P Modernization Action Plan – Pricing Annual Update Filing.	)))))))	Docket No. 15-0305

AMEREN ILLINOIS COMPANY'S REPLY BRIEF

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I. INTRODUCTION

A. Overview

In reviewing the initial briefs of the parties in this case, it is important to keep in mind where the burden lies when proposing adjustments to Ameren Illinois Company's (AIC, Ameren Illinois or the Company) proposed revenue requirement. AIC certainly bears the burden of proof in supporting its proposed rates. However, the burden shifts to other parties to support adjustments that they propose. *Ill. Commerce Comm'n on Its Own Mtn. v. Ill. Consol. Tel. Co.*, Docket 94-0042, 1995 Ill. PUC LEXIS 828, at *103 (Dec. 6, 1995) ("[I]n an investigation initiated by the Commission to address the reasonableness of rates wherein parties proffer conflicting proposals, each party proposing a result should bear the burden of adducing evidence in support of that proposal."); *Bell v. School Dist. No. 84*, 407 Ill. 406, 416 (1950) ("Where a party asks a court to believe a proposition and to base a finding thereon in his favor, the law casts the burden on him of furnishing the evidence upon which such finding can legally rest."). A party's burden to support their adjustment is great: the Commission can disallow costs only if the record evidence establishes *unreasonableness* or *imprudence* in the company's business decisions. *See, e.g.*, *Bus. & Prof'l People for Pub. Interest v. Ill. Commerce Comm'n*, 279 Ill. App. 3d 824, 829-30 (1st Dist. 1996); *Chicago v. Ill. Commerce Comm'n*, 133 Ill. App. 3d 435, 442-43 (1st Dist. 1985) (dismissing "the erroneous assumption that a utility has the burden of going forward on any and all issues which are conceivably relevant to the reasonableness of its proposed rates"). "[O]nce a utility makes a showing of the costs necessary to provide service under its proposed rates, it has established a *prima facie* case, and the burden then shifts to others to show that the costs incurred by the utility are unreasonable because of inefficiency or bad faith." *Id.*

Here, as explained below and in AIC's initial brief, the parties have not met their burden

to support their adjustments.

Regarding the cash working capital effect of the Electric Distribution Tax credit memoranda, Staff recognizes that these memoranda have an actual effect on AIC's cash flow. Staff claims that the future receipt of such memoranda is uncertain, but the record supports the opposite conclusion. Moreover, CUB/IIEC witness Gorman did not dispute the fact that AIC received a credit memorandum in 2014, the amount of the memorandum, or the fact that the memorandum was a cash impact to AIC. Yet CUB/IIEC's proposal is to simply ignore the existence of the memoranda and use the same method of calculation as in Docket 12-0001. Finally, the AG's basis for its adjustment is concerns about ratemaking impacts that are irrelevant to cash working capital. So none of these parties have met their burden on this adjustment.

Regarding the appropriate collection lag to use when determining cash working capital, the AG's position is based on an unsupported theory about when customers pay, while CUB/IIEC's position is based on a fundamental misunderstanding of the nature of AIC's account receivable data. These adjustments, therefore, are not supported either.

On advertising expense, the AG's position is based on its witness's conjecture that customers don't need to know about electrical upgrades, improvements to reliability, and new jobs being created in Illinois, that customers don't need to use Facebook and other forms of social media to communicate with utilities, and that residents don't need to hear about job openings or learn how businesses can expand or relocate in Illinois. As such, this adjustment is also unsupported.

Lastly, Staff recommends disallowance of the $154,000 that AIC spent in 2014 to recognize its employees' departmental safety accomplishments. But Staff's disallowance is

based on nothing more than Staff's belief that that spending is duplicative of safety-related incentive compensation. (AIC has explained why they are not.) Apart from this, Staff *agrees* that utility employee and customer safety is important to utility customers and that expenses for safety-related employee recognition may encourage employees to be aware of safety issues. So, this Staff adjustment should also be rejected.

Simply put, the adjustments proposed by the parties to AIC's revenue requirement should be rejected, and AIC's revenue requirement approved as set forth in its initial brief.

B. Legal Standard

II. RATE BASE

A. Uncontested and Resolved Issues

1. Asset Retirement Obligations

B. Contested Issues

1. Cash Working Capital

a. Electric Distribution Tax

i. Response to Staff

Staff agrees with AIC that credit memoranda impact AIC's cash flows, and that the EDT true-up payment and credit memorandum at issue "occurred during the lead-lag analysis period of 2014." (Staff Init. Br. at 6.) Nevertheless, Staff argues that the results of the lead-lag analysis must be "further analyzed for reasonableness." (Staff Init. Br. at 6; AIC Init. Br. at 8-9, citing ICC Staff Ex. 7.0 at 4.) Staff contends that it is unreasonable to include the true-up payment and credit memorandum for three reasons: (i) alleged uncertainty that AIC will continue to receive credit memoranda in the same "magnitude and frequency" in the future; (ii) the fact that AIC does not include refunds for federal and state income taxes in its lead-lag analysis; and (iii) the volatility in the expense lead that results from the application of different assumptions. (*See*

Staff Init. Br. at 7-8.)

First, Staff contends in its brief that "uncertainty" exists as to whether credit memoranda will continue to be issued "at the same magnitude and frequency as in 2014." (Staff Init. Br. at 7.) Since the amount and frequency of credit memoranda may change, Staff argues, it is unreasonable to permit the credit memoranda to "affect the calculation of expected cash outlays for future years." (*Id.*)

As AIC explained, it has received credit memoranda of significant amounts on a routine basis since 2011. (Ameren Ex. 16.0 at 9.) The evidence in this proceeding indicates that credit memoranda in the next three years will be in amounts comparable to, or greater than, the credit memorandum AIC received in 2014. (*See, e.g.,* Ameren Exs. 12.0 (Rev.) at 7; 10.0 at 5.) There is no record evidence that credit memoranda will decrease in amount or frequency. Even Staff witness Hathhorn agreed that there is an *upward* trend in the amounts of credit memoranda AIC has received. (Ameren Ex. 16.2 at 3 (response to AIC-ICC 2.12).) If, as Ms. Hathhorn agreed, the amount of credit memoranda continues on its upward trend, the cash working capital requirement developed based on the credit memoranda AIC received in 2014 will be lower than AIC's actual requirement during the period the lead-lag study is in effect. Thus, AIC's proposal is conservative. In contrast, a cash working capital requirement that excludes the credit memoranda completely, as Staff proposes, would be unreasonably low.

The only scenario in which the cash working capital requirement AIC has proposed in this case would be unreasonably high is a scenario where credit memoranda are materially lower in amount, or issued on a materially longer timeframe, during the next three years. Only in that situation would a cash working capital requirement based on AIC's 2014 credit memoranda be higher than AIC's actual requirements during the years in question. But no witness testified that

this scenario will occur, and no party points to evidence that credit memoranda will be lower in amount or less frequent in the future. In fact, the evidence points to the contrary conclusion—that the credit memoranda will continue to trend upward. (AIC Init. Br. at 9-10.)

Second, Staff argues that EDT credit memoranda should not be included in the lead-lag analysis because refunds associated with state and federal income taxes are not included in the analysis. (Staff Init. Br. at 7.) But the EDT credit memoranda are not analogous to state and federal income tax refunds. There is a key difference between EDT and income taxes: income taxes are not subject to a statutory cap, as EDT is. (AIC Init. Br. at 7-8); *see also* 35 ILCS 620/2a.1(c). The EDT statute sets AIC's annual liability equal to its sales of kilowatt-hours in the prior year, multiplied by an amount set forth in the statue. 35 ILCS 620/2a.1. AIC is *required* to make payments on that basis. But when EDT payments by all utilities in the state exceed the statutory cap, ILDOR is required to return to utilities amounts in excess of the statutory cap via credit memoranda. 35 ILCS 620/2a.1(c). No such statutory cap applies to federal or state income taxes, and income tax refunds do not result from the operation of a cap. In equating credit memoranda with income tax refunds, Staff does not acknowledge this significant distinction. Absent a recognition of this difference, Staff's argument is baseless.

Third, Staff argues that "volatility created in the EDT expense payment lead based on assumptions of when to reflect the credit memos" indicates that the credit memoranda should be excluded from the lead-lag study entirely. (Staff Init. Br. at 8-9.) It should not be surprising that different assumptions would produce different results—that is the nature of data analysis. But the fact that results differ, alone, cannot be a considered a rational basis for a Commission determination on this topic. Staff did not dispute that the credit memoranda have a real impact on AIC's cash flows during the lead-lag study period, or the dollar amount of the impact. (AIC

Init. Br. at 11.) The Commission cannot observe the fact that the results differ based on when AIC is assumed to have received a credit memorandum, and then adopt a cash working capital result that *ignores* entirely the fact that AIC ever received a credit memorandum. Rather, the Commission must consider which assumption most accurately represents AIC's actual cash working capital requirement.

ii. Response to CUB/IIEC

In testimony, CUB/IIEC witness Gorman offered a primary proposal—that the expense lead applicable to EDT should not consider the credit memorandum and true-up payment during 2014—and an alternate proposal—that one expense lead should apply to the total EDT liability in a year, while a separate expense lead applies to the credit memoranda and true-ups in that year. (*See* CUB/IIEC Exs. 1.0 at 8; 2.5.) In briefing, CUB/IIEC abandoned Mr. Gorman's alternate proposal, and focused only on the primary proposal to exclude the credit memorandum and true-up payment. (CUB/IIEC Init. Br. at 3-6.) CUB/IIEC argues that AIC "has not justified its change in the calculation of the EDT expense lead … [because] there has been no change in the required statutory payment schedule." (*Id.* at 6.) It is true that AIC is still required to make payments on the same quarterly schedule, but it is also true that AIC receives credit memoranda. Like Staff, CUB/IIEC would have the Commission ignore the existence of those credit memoranda, but CUB/IIEC has offered no reason for doing so.

Throughout this proceeding, CUB/IIEC witness Gorman did not dispute the fact that AIC received a credit memorandum in 2014, the amount of the memorandum, or the fact that the memorandum was a cash impact to AIC. Mr. Gorman also acknowledged that "receiving a significant credit memo is a recurring event." (CUB/IIEC Ex. 2.0 at 23.) CUB/IIEC's proposal to ignore the credit memoranda in calculating cash working capital directly contradicts its own witness's testimony, and CUB/IIEC has not explained why it is appropriate to ignore the credit

memoranda. Its proposal should be rejected.

iii. Response to AG

(a) The AG's arguments about delayed ratepayer benefits are not relevant to the determination of cash working capital.

The AG devotes a substantial portion of its brief to contentions that AIC "flow[s] EDT credit memoranda to customers on a delayed basis," and that AIC's lead-lag analysis is flawed because it does not take into account "how and when EDT credit memoranda are allowed to benefit ratepayers." (AG Init. Br. at 10, 11.) Each of these contentions is irrelevant, however, to the calculation of AIC's cash working capital requirement. A lead-lag study is intended to evaluate the timing of cash inflows and outflows *at the Company*, not to customers. (AIC Init. Br. at 8.) Since the timing of ratepayer benefits is not an appropriate subject of a cash working capital analysis, the fact that AIC did not consider the timing of ratepayer benefits in its lead-lag study is not a flaw in the study. Moreover, as discussed at length in AIC's initial brief, AIC does not delay the flow of credit memoranda to ratepayers, because EDT expense on FERC Form 1 is reduced by the amount of credit memoranda in the year those memoranda are received. (AIC Init. Br. at 12.)

From the AG's arguments, it appears that the core of the AG's concern is that the benefit of credit memoranda should somehow be "passed to ratepayers" sooner—perhaps immediately after AIC receives the memoranda from the ILDOR. (AG Init. Br. at 10.) But the AG's proposal in this case adjusts AIC's cash working capital requirements, *not* the timing of the passage of credit memoranda to ratepayers. And the AG offers no explanation for the relationship between its proposal and its underlying concern.

Adjusting AIC's cash working capital requirements will not achieve the AG's desired outcome of more immediate passage of credit memoranda to ratepayers. AIC pays the EDT in

accordance with the EDT statute, and receives credit memoranda in accordance with the EDT statute. (Ameren Ex. 16.0 at 3-6.) AIC collects monies to satisfy its EDT obligation in accordance with the Commission-approved Tax Additions Tariff. (*Id.*) And AIC incorporates the credit memoranda into customer rates according to EIMA. (*Id.*) In other words, every step of AIC's current procedure for collection, payment, and incorporation of the EDT into rates is mandated by statute or Commission orders. Therefore, even if AIC's cash working capital requirement is adjusted in this proceeding as the AG proposes, AIC will continue to flow the benefit of credit memoranda to ratepayers in just the same way—because AIC *must* continue to comply with the relevant statutes and Commission orders. The AG has not proposed to alter the operation of any of these processes, although they are the purported heart of the AG's concerns.

(b) The AG's suggestion that credit memoranda should be reflected in a separate revenue lag lacks any record support, and is wrong in any event.

A single line—half a sentence—in the AG's brief suggests a possible (albeit unclear and undeveloped) argument: that AIC's lead-lag study was flawed because it does not calculate a separate revenue lag for EDT remittances from customers. The AG states that "Mr. Brosch's own testimony … clearly states his disagreement with the fact that the Company reflected a single revenue lag value to all customer remittances but has not applied any corresponding revenue lead value to customer remittances for the EDT in anticipation of future credit memos from the State." (AG Init. Br. at 12-13.) There are several problems with this sentence.

First, it is not supported by the record. Mr. Brosch never testified as to any "disagreement" with the application of a "single revenue lag value" to all remittances coupled with a corresponding "revenue lead value" to remittances for EDT—because he never testified about that topic at all. (*Id.*) In the cited passage of Mr. Brosch's testimony, he states that "shareholders, rather than ratepayers, [may] have provided the EDT cash," (AG Ex. 1.0 at

37:882-83), and that "EDT charges to customers through the Tax Additions tariff [should have been] reduced in anticipation of future credit memos from the state." (AG Ex. 1.0 at 37:906-08.) There is *no mention* in the cited testimony of a "revenue lead value" that should correspond to the "revenue lag value," much less a "clear statement" of Mr. Brosch's opinion on that matter. (AG Init. Br. at 12-13.)

The AG also cites the hearing transcript in support of this alleged summary of Mr. Brosch's position. (AG Init. Br. at 13, citing Tr. at 43.) The cited portion of the transcript, however, is a question posed to Ameren witness Stafford. AG's counsel asks Mr. Stafford on cross-examination, "isn't it true that Ameren has calculated and applied only a single revenue lag value to all customer remittances, but is [sic] not calculated or applied any different or unique revenue lag to customer remittances of the EDT?" (Tr. at 43:1-5.) Neither this question, nor Mr. Stafford's response to it, can fairly be characterized as a "clear statement" by Mr. Brosch.

Second, the question at hearing differs materially from the argument implied in the AG's Brief. In brief, the AG implies that a "revenue lead value" calculated specifically for customer remittances of EDT should "correspond[]" to a "single revenue lag value" for all remittances. (AG. Init. Br. at 12-13.) At hearing however, AG's counsel inquired whether a "unique revenue *lag*" had been calculated for the EDT. (Tr. at 43.) So, the AG's brief refers to a *lead* while the hearing record refers to a *lag.* Yet that single question at hearing is the only mention of the argument alluded to in the AG's brief. It is entirely unclear to AIC what the AG is hinting at here, because the implied argument in the AG's brief was not mentioned, much less developed, in the record. It must be rejected.

Third, even if the AG's implied proposal was supported by the record, the EDT credit memoranda do not require a separate "revenue lead" or lag calculation. Customers pay *net* EDT

expense (EDT liability, reduced by any credit memoranda received) through the Tax Additions Tariff line-item on their bill. (Ameren Ex. 16.0 at 6.) The revenues from the EDT charge are reflected as customer revenues, and are received from customers on the same basis, and at the same time, as all other revenues AIC receives from its customers. (*Id.*) Therefore, the EDT revenues are included in the calculation of AIC's overall revenue lag, and customer remittances for the EDT amounts are already reflected in the lead-lag study.

(c) The AG's assertion that a cash working capital requirement associated with EDT credit amounts does not "exist in fact" is contradicted by substantial record evidence.

The AG concludes its argument regarding the expense lead applicable to EDT by stating that AIC has "failed to show" that a cash working capital need associated with EDT credit memoranda "exists in fact." (AG Init. Br. at 14.) This statement ignores a significant body of record evidence that went undisputed throughout this proceeding.

AIC has explained, and Staff agrees, that credit memoranda impact AIC's cash flows. (ICC Staff Ex. 7.0 at 4.) No other party has disputed this fact. (AIC Init. Br. at 8-9.) In light of this agreement, it is unclear how AIC has failed to demonstrate that a cash working capital requirement associated with credit memoranda "exists in fact." (*See* AG Init. Br. at 4.) In AG witness Brosch's direct testimony, he stated, "[a]bsent a showing … that EDT charges to customers through the Tax Additions tariff were reduced *in anticipation* of future credit memos from the state, there is no basis to conclude that the Company has experienced any additional Cash Working Capital investment for the delayed credit memos." (AG Init. Br. at 8, citing AG Ex. 1.0 at 37-38 (emphasis in original).) As discussed in AIC's initial brief, however, AIC made this showing. (AIC Init. Br. at 11.) AIC demonstrated that the charges to its customers through the Tax Additions Tariff in each year are reduced by the amount of credit memoranda received

during prior years, and that the prior year memoranda are roughly commensurate in amount to the current year memoranda. (*Id.* at 12.) By Mr. Brosch's own logic, this demonstration shows that the Company "has experienced [an] additional Cash Working Capital investment for the delayed credit memos." (AG Ex. 1.0 at 37-38.)

AIC provided exactly the information the AG's witness requested, yet the AG's brief asserts that AIC has failed to show that a cash working capital requirement associated with the EDT credit memoranda "exists in fact." (AG Init. Br. at 14.) This statement is directly contradicted by significant record evidence. The Commission should reject the AG's argument.

b. Collection Lag

i. Response to AG

As AIC explained in its initial brief, it is not entirely clear what the AG is proposing with respect to the collections lag. (AIC Init. Br. at 22-24.) The AG's initial brief does nothing to clarify its position.

First, the AG's initial brief discusses Mr. Brosch's proposal to apply a "middle of the front half" assumed collection date to the 30-59, 60-89, and 90-119 day buckets. (AG Init. Br. at 18-20.) Next, the AG's initial brief discusses Mr. Brosch's position that AIC could have "simply averaged together the timing of all the customer billing and remittance transactions," rather than using the aging categories, to derive a single overall collection lag. (*Id.* at 23.) But the AG does not actually propose to use a single overall average of remittances as the collection lag—it states instead that, because the overall average remittance date results in a shorter collection lag, the average supports the AG's "middle of the front half" proposal. (*Id.* at 25.) Finally, the AG argues that the Commission should order a workshop to develop a collection lag based on remittance data rather than the accounts receivable data AIC used in this proceeding. (*Id.* at 25-26.)

Ultimately, the AG urges the Commission to adopt a collection lag of 34.95 days.[1] But it appears to AIC that the AG has not settled on an explanation for why its collection lag is appropriate, or how it should be calculated—by applying a "middle of the front half" assumption within the aging subcategories, or by lumping all remittances together in a single average. Confusingly, the AG also makes a request for a workshop, suggesting that none of its positions are firm or supported by the record in this proceeding. In any event, neither the AG's proposed collection lag nor its proposed workshop is appropriate, and both proposals should be rejected.

In support of its proposal to utilize a "middle of the front half" assumed collection date, the AG states that "since the distribution of receivables across the Company's broad aging categories is skewed heavily toward the early categories, it is reasonable to also assume that the distribution *within* each category would be similarly front-weighted." (*Id.* at 19 (emphasis in original).) The Commission should recognize the speculation underlying this assertion. The fact that most customers pay within the deadline (which, for residential customers, falls 21 days after the bill is issued) says *nothing* about whether a different subset of customers—those who do *not* pay within the deadline—are likely to pay on the 32nd day as opposed to the 58th day (for example) after the deadline has passed. In addition, the vast majority of customers who pay within the deadline pay during the last few days before the deadline passes. (AG Init. Br. at 22-23, citing AG Ex. 3.0 at 28.) As the AG notes, remittances during the first 30 days "are concentrated around the 21st day when residential customer payments are due." (*Id.*) In other words, although most customers pay their bills before the deadline passes, they typically wait

[1] AIC's proposed collection lag is 35.45 days. (*See* Ameren Ex. 12.1.) Although the difference between the proposals is approximately 0.5 days, its revenue requirement effect is significant: each day of difference results in a revenue requirement impact of approximately $1.4million. (*See* AG Init. Br. at 15.)

until just before the deadline to pay. AIC applies a late-payment charge of 1.5% of the past-due amount, per month, to past-due amounts. Ill. C. C. No. 1, 2nd Rev. Sheet No. 3.018(4). Presumably, customers pay before the deadline so as to avoid late-payment charges. (*See* AG Ex. 1.0 at 35.)

If one assumes, as Mr. Brosch does, that the behavior of those customers who pay before the deadline is a reasonable proxy for those customers who pay late, it is likely that late-paying customers will pay just before the assessment of the next monthly late-payment charge. In other words, it is likely that customers will pay past-due amounts just before the 50th day, 80th day, or 110th day (the days on which monthly late fees would be assessed in approximately 30-day intervals after the residential customer deadline). But Mr. Brosch asks the Commission to assume customers pay on the 37.5th day, the 67.5th day, and the 97.5th day. (AG Init. Br. at 18.) Therefore, the assumption on which the AG's "middle of the front half" proposal is based actually supports a collection date in the *later* half of the month. The Commission should reject the AG's "middle of the front half" proposal as unsupported by the record.

The AG also asserts that the remittance data supports a collection lag "far below the revenue collection lag being proposed by [AIC] or [the AG]," and argues that Mr. Brosch's proposed collection lag based on the "middle of the front half" assumption should therefore be adopted, presumably because it is shorter than AIC's proposal. (AG Init. Br. at 23-25.) This is simply inaccurate. Although Mr. Brosch's proposal to conduct an overall average of the remittance data produces a collection lag shorter than the one AIC proposes, the resulting collection lag is actually closer to AIC's proposal than the AG's, as depicted in the following table:

	0 - 29 Days	30 - 59 Days	60 - 89 Days	90 - 119 Days
AIC's Proposal - Midpoint	15.00	45.00	75.00	105.00
Remittance Analysis[2]	17.95	41.66	72.29	104.00
Difference	(2.95)	3.34	2.71	1.00
Brosch's Proposal – Middle of Front Half	15.00	37.50	67.50	97.50
Remittance Analysis[3]	17.95	41.66	72.29	104.00
Difference	(2.95)	(4.16)	(4.79)	(6.50)

In other words, the analysis Mr. Brosch suggests actually supports AIC's proposed collection lag, *not* the AG's proposed "middle of the front half" assumption.

And it is not entirely surprising that the remittance data yields a collection lag slightly shorter than accounts receivable data, since Deferred Payment Agreements (DPAs) and other outstanding accounts receivable balances are not included in the remittance data. (*See* Ameren Ex. 18.0 at 18-19.) However, DPA balances are included in the accounts receivable data on which AIC's proposal is based. (*Id.*) Thus, even though the remittance data produces a slightly different result than the accounts receivable data, this difference does not indicate that the accounts receivable data is inaccurate in any way.

In summary, the AG's proposal to apply a "middle of the front half" collection date to each of the aging subcategories finds no support in the record. AIC's proposed collection lag, which is based on an analysis of the most comprehensive data-set available, accurately reflects the timing of AIC's collections, and should be adopted by the Commission.

There is no need to engage in a workshop to develop a collections lag based on the remittance data-set. As AIC has explained, the remittance dataset is less comprehensive than the accounts receivable dataset on which AIC's proposal in this case is based, because the accounts

[2] AIC Ex. 12.0 (Rev.) at 21-22.
[3] *Id.*

receivable dataset includes DPAs and uncollectible accounts. (Ameren Ex. 18.0 at 18-19.) Extended analysis of a less comprehensive dataset in a workshop setting is not an efficient use of the parties' resources, particularly when a proposal based on a more comprehensive dataset is before the Commission in this case.

ii. Response to CUB/IIEC

CUB/IIEC continues to advocate two adjustments to AIC's collections lag. First, CUB/IIEC proposes an adjustment to the amount of uncollectibles AIC assumed in calculating its collection lag. Second, CUB/IIEC proposes an adjustment to the collection date AIC assumed for each of the aging subcategories in its analysis. AIC has explained on numerous occasions that both of these proposals are based on a single, fundamental misunderstanding of the accounts receivable data. AIC has also explained how the data should properly be understood. CUB/IIEC insists that it has understood AIC's data correctly, and that its proposals are necessary to correct inaccuracies in AIC's understanding of its own data. This is simply incorrect. CUB/IIEC's proposals should be rejected.

CUB/IIEC's brief is replete with references to accounts receivable balances "progress[ing]" through the aging subcategories over time. (*See* CUB/IIEC Init. Br. at 7 ("unpaid accounts receivable balance[s] progress[ing] through the 30-60 Days to 120+ Days buckets"); at 8 ("accounts receivable dollars associated with unpaid bills progress[] from the 0-30 Day bucket to the 60-90 Day through 120+ Day buckets in subsequent months"); at 9 ("accounts receivable dollars associated with unpaid bills continue to be carried in the accounts receivable balance as the amount progresses from the 0-30 Day bucket to the 60-90 Day through 120+ Day buckets in subsequent months"); at 10 ("a customer's accounts receivable balance, which remains unpaid, moves to a different aged accounts receivable bucket in the next month").)

The problem with all of these statements is that the accounts receivable data on which AIC based its collection lag does not account for the passage of time. AIC's collections lag is based on a Report that is a *snapshot of all of its accounts receivable on the date the Report was created*. (AIC Init. Br. at 19-20.) The Report simply states that, on the date it was created, AIC had a certain dollar amount of accounts receivable that had been outstanding between 0 and 29 days, a certain dollar amount of accounts receivable that had been outstanding between 30 and 59 days, and so on. (*Id.*) The Report does not assume that any portion of accounts in a less-advanced aging category will "progress" into more-advanced aging categories as time passes.

CUB/IIEC's references to "progression" through the aging subcategories reveal that it believes the passage of time is reflected in AIC's data. And CUB/IIEC's proposals are intended to ensure that the passage of time is accounted for in the collection lag. For example, CUB/IIEC proposes to apply the dollar amount of uncollectibles for the 0-29 day subcategory to each more advanced aging subcategory. (CUB/IIEC Init. Br. at 7-8.) And CUB/IIEC proposes to adjust the assumed collection date for the 30-59, 60-89, and 90-120 day subcategories to 30 days. (*Id.* at 10-11.) These proposals would only be appropriate if the data was a forecast of the accounts that would remain outstanding over time. But, as AIC has explained time and again, its data does not include such a forecast.

Because CUB/IIEC does not understand the data AIC has presented, its proposals are aimed at resolving issues that do not exist. They should be rejected.

C. Original Cost Determination

D. Recommended Rate Base

1. Filing Year

2. Reconciliation Year

III. OPERATING REVENUES AND EXPENSES

A. Uncontested and Resolved Issues

1. State Income Tax

2. Charitable Contributions

3. Advertising Expenses (but for 3.b.i.)

a. AIC Self Disallowances

b. Staff Adjustments

c. Undocumented Account 909 Expenses

4. Safety Awareness and Recognition Spending (but for III.B.2)

5. Outside Services

6. Industry Dues

7. Injuries and Damages

8. Rate Case Expense

B. Contested Issues

1. Advertising Expenses

The AG's initial brief recites the conjecture of its witness, Mr. Brosch. Customers don't need to know about electrical upgrades, improvements to reliability, and new jobs being created in Illinois, the AG says. Advertisements on those topics "obvious[ly]" seek to improve AIC's image. Customers don't need to use Facebook and other forms of social media to communicate with utilities. And residents don't need to hear about job openings or learn how businesses can expand or relocate in Illinois. These advertisements simply aren't necessary, the AG claims.

These opinions of the AG and Mr. Brosch are not supported. And they are wrong. The record shows that AIC's customers do want to know how the Company is investing its revenues to make the grid stronger and more reliable. And it also shows that AIC's customers—nearly 75 percent of them—are unfamiliar with the infrastructure improvements being made. This gap in

knowledge must be closed. The challenged expenses funded advertising designed to provide customers what they want information on —the electrical upgrades and the benefits that customers can expect to receive from these investments.

The passage of the Energy Infrastructure Modernization Act (EIMA) has been a major step in modernizing the grid. AIC has committed to making substantial, incremental capital investments in Illinois's electrical delivery systems. And the General Assembly has made consumer education a significant focal point of the utilities' infrastructure programs. The advertisements at issue, both visually and audibly, informed customers on AIC's progress in fulfilling its investment commitments and, even more importantly, conveyed the reliability and economic benefits that customers are experiencing. And the advertisements did so, through cost-effective media channels, including social media. The choice offered by the AG is to keep customers relatively in the dark, and forgo such future communications. That alternative is unacceptable. For these reasons, as explained in the Company's initial brief and in this reply, the Commission should reject the AG's proposed adjustments and allow the challenged advertising expenses to be recovered through AIC's formula rate.

a. The advertisements at issue were educational, cost-effective communications about near-term customer benefits from EIMA-related investments in the electric delivery system.

The challenged advertising expenses funded communications that informed customers on the capital improvements and near-term customer benefits from AIC's Infrastructure Investment Plan. The creative work on "Energy at Work" television advertisements ($328,277) led to final commercials that alerted customers to newly installed equipment, additional jobs, and increased reliability. (AIC Init. Br. at 35-38; Ameren Exs. 11.3; 11.5.) Other vendor charges ($341,228) paid for the production and publication of radio and video media on two particular EIMA-related projects: the deployment of the "smart switching" Intellirupter and the expansion of substations.

(AIC Init. Br. at 38-39; Ameren Exs. 11.4; 11.7.) Still other charges ($40,935) were for targeted Facebook postings on specific electric upgrades in certain operating areas in the Company's service territory. (AIC Init. Br. at 39-40; Ameren Ex. 11.9.) And the remaining charges ($23,000) were for radio advertising on offers of employment and opportunities for relocation and expansion of businesses within AIC's service territory. (AIC Init. Br. at 41-42; Ameren Ex. 11.11.) The purpose of these advertisements was to educate customers, not improve the utility's image. (Ameren Exs. 11.0 at 18, 20, 23; 17.0 at 12, 14.) And they reached, informed and impacted as many consumers as possible in a cost-effective manner. (Ameren Ex. 17.0 at 15.)

The AG claims that these challenged advertisements were not "necessary." (AG Init. Br. at 33, 35, 36.) The record shows, however, that AIC's customers wholeheartedly disagree. The qualitative research shows that customers want to know how the revenues collected through rates are translating into localized improvements in the electrical grid. (AIC Init. Br. at 37.) The 2013 and 2014 Focus Group Reports verify that customers desire this information. (AG Exs. 3.4 Confidential (AG 6.17 Attach at 4, 24.); 3.3 (AG 7.03 Attach at 23, 32).) And the quantitative data show that a majority of AIC customers do not know anything about the EIMA-related electrical upgrades that AIC is performing. (AIC Init. Br. at 37.) Indeed, 74 percent of AIC's customers have "never [even] heard of" the advances currently being implemented. (Ameren Ex. 17.0 at 12.) This evidence is unrebutted—the Company's customers are not adequately informed on the upgrades, and they want that information.

AIC customers are not the only group who consider consumer education essential. The General Assembly, when it enacted EIMA, made consumer education a central component. It required participating utilities to submit annual updates to their infrastructure investment plans—updates that the Commission publishes on its website. 220 ILCS 5/16-108.5(b). It required

utilities to set up an assistance program to educate low-income senior citizens on energy usage and effective managing of energy costs. 220 ILCS 5/16-108.5(b-10)(3). It required utilities to prepare a plan to educate consumers on the advanced metering infrastructure (AMI) being installed. 220 ILCS 5/16-108.6(c)(5). It required utilities to contribute to the Illinois Science and Energy Innovation Trust to fund education on smart meters and related consumer-facing technologies and services, and authorized the recovery of "other reasonable amounts" expended on such education. 220 ILCS 5/16-108.6(f); 220 ILCS 5/16-108.7(b). And it required utilities to create a "Smart Grid test bed" to provide the public with an open location for testing innovative Smart Grid-related technologies and services. 220 ILCS 5/16-108.8(a). These requirements show that the General Assembly considered consumer education indispensible. The Company's efforts to educate the public on the impact of grid improvements—the electrical equipment upgrades, the new jobs, the increased reliability, the impending customer conveniences, etc.—are consistent with the spirit of the EIMA legislation.

The AG claims that the EIMA-related advertisements do not "qualify as customer education." (AG Init. Br. at 31.) The record, however, says otherwise. The "Energy at Work" ads utilize actual employees in the field to be the public face and voice of the grid improvements and customer benefits. (AIC Init. Br. at 37.) They showcase actual job sites and new equipment and technology being installed. (*Id*.) And they discuss the specific ratepayer benefits: more than 800 new jobs and improved reliability by 20 percent. (*Id*.) The other EIMA-related scripts and videos feature two particular improvements: the Intellirupter, which detects a service interruption and re-routes power from another source, and the expansion of substations, which ensures that the local grid has adequate capacity. (*Id*. at 38.) These ads are designed to educate customers on the impact of EIMA-related investments on the reliability, safety, and adequacy of delivery

service—the very information that AIC customers have said that they want. And these ads constitute the majority of the adjustment: $669,505 or 93% of the disallowance.

The AG's claims about the necessity of the remaining expenses are similarly weak. The AG speculates, without any record support, that the utility's Facebook postings "may never provoke interactive 'two-way' dialogue with customers, but only sporadic reactions." (AG Init. Br. at 35.) This opinion was not disclosed in testimony, and no citation to the record is provided. In fact, the AG provided no evidence to support this new prediction. And the evidence that the Company provided shows that Facebook and other social media interactions with AIC customers already are occurring. (Ameren Exs. 11.9; 11.10.)

The AG also claims, again without record support, that the elimination of Facebook postings "will not impact the delivery of the service [AIC] is required to provide." (*Id*.) Likewise, this opinion was not disclosed in testimony, and no citation to the record is provided. Similarly, the AG provided no evidence to support this new assertion. And the evidence that the Company provided shows that social media channels are an expected and for many customers, an increasingly utilized means of communicating with the utility. (AIC Init. Br. at 40.)

The AG hasn't pointed to a single Facebook posting that it considers unnecessary or goodwill. Yet, at the 11th hour and without evidence, the AG generally attacks the prudence of Facebook as an advertising channel. The Commission should disregard the AG's untimely and speculative opinions. The evidence in the record shows that the use of social media is a prudent and cost-effective channel for customer communications.

On the St. Louis Cardinals radio advertising, the AG argues that the Commission "has already spoken on economic development communications" in Docket 13-0301. (AG Init. Br. at 35.) That order, however, provides no such finality. The Commission in that docket stated that

it "is not clear" why costs "touting [the] promotion of economic development" are recoverable. *Ameren Ill. Co.*, Docket 13-0301, Order at 93 (Dec. 9, 2013). Here, the benefit of the ads in this case is clear. These are not ads that "tout" the utility's promotion of economic development. The costs for that type of ad already have been removed. (Ameren Ex. 11.0 at 29.) These ads encourage businesses to expand or relocate within AIC's service territory. The Commission previously has found that these types of ads, which seek to increase the customer base, number of jobs, tax revenues and the spread of fixed costs, benefit ratepayers. (AIC Init. Br. at 42.) The AG quotes the Commission's assertion in Docket 13-0301 that "customer concerns about economic development cannot influence" AIC's investment commitments under EIMA. (AG Init. Br. at 35, *quoting Ameren Ill. Co.*, Docket 13-0301, Order at 93 (Dec. 9, 2013).) That statement may be true. But the fact that AIC must spend incremental capital on electrical grid improvements does not mean that advertising expenses about the projects are not recoverable.

The AG repeats Mr. Brosch's claims that references to job opportunities in the radio ads "are too vague and fail to provide detailed information about specific openings." (AG Init. Br. at 36.) As stated in the Company's initial brief, that complaint is a red herring. The Act expressly recognizes that expenses on advertising that informs customers on employment opportunities are recoverable. (AIC Init. Br. at 41.) It would not be possible to list all job openings in a 30 second radio ad. (*Id*.) The advertisements list the general categories of available jobs (IT, Engineering, Customer Service, etc.), and encourage listeners to learn more about, and presumably apply for, these jobs by visiting the Ameren.com website. (*Id*.) The AG also repeats Mr. Brosch's conclusory assertions that the radio ads are "for the apparent purpose" of associating the name and reputation of the utility and service company with Cardinals baseball to improve AIC's public image, and the Company has not made a "showing of any benefits to Illinois ratepayers."

(AG Init. Br. at 36.) These assertions are not supported, and are not true. Encouraging thousands of Illinois residents, through a network of Illinois radio affiliates, to learn more about and apply for open AIC positions is prudent, cost-effective, and beneficial advertising. (AIC Init. Br. at 42.) The AG has not refuted this evidence in the record.

The AG wants the Commission to believe that the Company's "testimony and responses to data requests fail to justify" the recoverability of the challenged advertising expenses. (AG Init. Br. at 28.) That is not the case. The record demonstrates that the advertisements are, in fact, educational. And the AG's arguments to the contrary remain unconvincing and unfounded.

b. The AG has not shown that the expenses at issue funded advertising designed primarily to improve AIC's image.

The AG claims that it is "obvious that the primary purpose and message within the disputed test year advertising is to improve goodwill and the public image and reputation of Ameren…." (AG Init. Br. at 28.) That opinion, however, must be supported by concrete evidence. And it isn't. Simply opining that something is "obvious" is not sufficient. The AG has the burden to show that the advertisements were designed primarily to improve AIC's image. And it hasn't met that burden. The AG offers conjecture on the effect of the advertisements, incorrect statements of the applicable law, and weak analogies to prior disallowances. These assertions are woefully inadequate, and they do not justify the AG's proposed disallowance.

i. The relevant consideration is the utility's intention in designing the advertisements, not the AG's subjective, conclusory view on the effect of the advertising.

The AG claims that the "relevant consideration here is the effect, not the intention, of the advertising." (AG Init. Br. at 33.) That, however, is not the standard that the General Assembly established for recovery of advertising expense. The real standard is actually the opposite. The Public Utilities Act (Act), when it identifies the categories of advertising expenses that cannot be

recovered in rates, speaks of the significance of the advertisement's "purpose" or primary "design." (AIC Init. Br. at 32.) The motivation for crafting the advertisement in such a way in the first place—in other words, what the utility was trying to accomplish—is what matters. The relevant consideration is not the AG's subjective view of the effect of the advertising; it is the effect that the utility intended the advertising to elicit. And in this case, there is substantial evidence that AIC was trying to educate and inform its customers, not improve its image.

The AG argues further that the "intentions behind the communication are not relevant," "[w]here the advertising does not direct customers to take specific action." (AG Init. Br. at 33-34.) Again, the AG tries to graft a new standard onto the Act. There is no mandate in Section 9-225 that the advertising must "direct" customers to do anything. The common thread is that the advertising provides valuable information to the public. Advertising that gives information on energy conservation measures, service interruptions, safety measures, employment opportunities, energy efficient equipment, rate schedules, and business hours—the Act recognizes these as categories of advertising where the expense shall be recovered in rates. The Act does not state that these advertisements must "direct" anyone "to take specific action." The Act implies that what is important is the information being provided. The point is to make the customer better informed, not compel any sort of behavior. Indeed for some categories of advertising, such as notices on service interruptions, there is no plausible action that customers could take, once informed.

The Commission has held that the party who proposes an adjustment to exclude expenses for goodwill advertising, must show that the promotional aspect of the advertisement at issue outweighs the message of the advertisement. (AIC Init. Br. at 32.) In this instance, the AG has not met that burden. The advertising provides customers with valuable information about the

EIMA-related projects and benefits—information that the Company's customers want to have. The AG's conclusory views of the effect of the advertising do not justify its disallowance.

ii. That AIC is legally required to provide safe and reliable delivery service does not mean that costs for advertising about work on the delivery system are unrecoverable.

The AG also claims that expenses "for disseminating information regarding activities which are part of a utility's core business of delivering electric power and energy" are not recoverable under Section 9-225. (AG Init. Br. at 32.) The AG further states, "The utility is legally required to provide [delivery] service and whether customers understand how that duty is fulfilled is not a necessary expense to accomplishing that goal." (*Id*. at 33.) Again, the AG misstates the law and tries to create a new standard for cost recovery. Section 9-225 does not prohibit cost recovery of advertising about the utility's activities that impact the delivery service that AIC is required to provide, as the AG argues. (*See id*. at 32.) The Act, in fact, expressly permits the recovery expenses of advertising about certain activities that impact service (*e.g.*, service interruptions, safety measures). 220 ILCS 5/9-225(3)(c). The AG's presumption is similarly incorrect—the fact that AIC advertises about the impact of capital improvements on system reliability does not mean that the purpose of the communication to improve the utility's image. (*See* AG Init. Br. at 32, 34.) The primary design of the advertisement still controls whether the associated expense is recoverable, regardless of the subject matter of the advertising.

The AG also argues that advertisements "related to the value of the AIC distribution system are not necessary where customers have no choice in delivery service provider." (AG Init. Br. at 31.) Again, the AG's presumption is incorrect—just because an advertisement alerts a utility's customers to the impact of a system improvement doesn't make the advertisement unnecessary. There is a "value" in keeping customers informed on the Company's progress in implementing its infrastructure investments, how those investments affect the safety and

reliability of delivery service, and the additional economic benefits (*e.g.*, new jobs) that are occurring. Providing this knowledge to consumers is not promoting the "value" of AIC's delivery service—it is giving customers the information that they want. The alternative that the AG essentially offers is to keep the functioning of the distribution network shrouded in mystery. The AG claims that the necessity of a communication expense in a competitive market "is not the same thing" as the necessity of communication expense for a public utility. (*Id*.) That observation may be true. But that observation doesn't prove that AIC designed the advertisements at to enhance its image, or promote its "brand."

iii. The advertising expenses disallowed in AIC's prior formula rate cases are not analogous to the advertising expenses contested in this proceeding by the AG.

The AG tries to prop up its case by alluding to advertising disallowances in prior rate orders. These comparisons, however, are unconvincing, and inapplicable. The AG states that the order in Docket 13-0301 "detailed numerous examples of disallowed image-enhancing expenses." (AG Init. Br. at 30.) The AG, however, doesn't identify the examples that it believes are analogous. The AG goes on to cite "further examples of expense the Commission deemed insufficiently necessary for the provision of delivery services." (*Id*.) But with the exception of the "economic development" example addressed above, the examples mentioned (*e.g.*, media training, the Corporate Social Responsibility Report, the "Focused Energy. For Life" advertising) are not equivalent to the advertisements at issue in this proceeding. That the Commission has disallowed advertising expenses in prior cases does not mean that the challenged expenses here are not recoverable. The AG's case for disallowance must stand on its own, and it doesn't.

The AG also claims that the Commission's advertising disallowance in Docket 13-0301 included "messages 'extolling the virtues of AIC's distribution system obviously *related to delivery services*.'" (AG Init. Br. at 30, *quoting Ameren Ill. Co.*, Docket 13-0301, Order at 91

(Dec. 9, 2013) (emphasis in original).) A review of the Commission's order, however, shows that the statement concerned a "media buy" in general, not any specific advertisement at issue in that proceeding. *Ameren Ill. Co.*, Docket 13-0301, Order at 91 (Dec. 9, 2013). And the order does not identify any specific advertising that actually was "extolling the virtues" of the distribution system. The AG argues that advertisements on EIMA-related improvements are "precisely the type of information which the Commission's Order in 13-0301 stated should not be paid by captive ratepayers." (AG Init. Br. at 32.) Again, there are no specific ads to compare, and as explained above, the advertising at issue here is not "extolling" the "value" of AIC's service.

As explained in AIC's testimony, the advertising expenses at issue in Docket 13-0301 most analogous to the expenses at issue here are expenses that were included in the Commission-approved revenue requirement. (Ameren Ex. 17.0 at 8.) The order states that Staff withdrew an adjustment for advertising expenses "designed to educate and inform customers about AIC's investments as a result of its participation in the EIMA." *Ameren Ill. Co.*, Docket 13-0301, Order at 41 (Dec. 9, 2013). The Order further states that AIC submitted evidence that showed that "these expenses and projects informed customers about how AIC would be investing ratepayer resources, and how the EIMA-related upgrades will result in improved service and more options." The AG claims that the Commission did not "approve" these EIMA-related advertising expenses in its order in Docket 13-0301. (AG Init. Br. at 34.) The AG argues that the order "merely reports" the Staff's "decision" "not to pursue the issue." (*Id*.) That argument amounts to quibbling over semantics. Staff reviewed the advertising. The AG participated in the proceeding. The expenses were litigated. The fact that the issue was resolved is not relevant. The expenses were included in the approved revenue requirement and recovered in rates.

The AG suggests that the Commission disallowed costs in Docket 14-0317 associated with Focus Forward: Manage Energy Use (FFMEU) advertising "based on the fact that the campaign qualified as pure image advertising." (AG Init. Br. at 30.) That is not correct. And the Commission did not "agree[] with the AG." (*Id*. at 31.) As the order states, the Commission found that the "content" of the specific advertisements did not "inform[] or educat[e] the public about AIC's system upgrades and how they will impact service…." *Ameren Ill. Co.*, Docket 14-0317, Order at 53 (Dec. 10, 2014). The problem was that the information in the particular advertisements "does not direct attention to particular investments or types of benefits so as to generate interest in the details and motivate the public to visit the Company's website to get specific, detailed information." *Id*. This finding does not mean that "the campaign" was "pure image advertising"; it just means that the Commission concluded that the advertisements at issue lacked sufficient detail.

The AG claims that the challenged advertising is "image advertising containing similar messages" to the FFMEU advertisements. (AG Init. Br. at 31.) AIC's initial brief explains at length that the EIMA-related advertising expenses concerned a different advertising initiative, and had different content, both in the visual imagery and the text of the message. (AIC Init. Br. at 36-39.) As noted, above, the record shows that the advertisements at issue here were intended to be educational and informational, and not for the purpose of promoting AIC's image.

c. The record shows that the advertisements, even if goodwill, are in the best interest of the consumers in AIC's service territory.

The record does not support the AG's assertion that the advertisements were primarily designed to improve AIC's image. The AG's case for goodwill has not been made. Even if that case was sufficiently made however, the Commission would still have to consider whether the advertisements are in the best interest of the energy-consuming public in AIC's service territory.

220 ILCS 5/9-225(2). They are. And the analysis can be boiled down to one question: are AIC's customers better off being informed about the Company's EIMA-related infrastructure investments, their impact on system reliability, and the creation of other customer benefits (*e.g.*, new jobs)? The answer is yes. They want this information. They deserve to have this information. And the AG cannot provide a valid reason why they should be denied this information. AIC has committed to spending hundreds of millions of incremental capital dollars to improve the electrical grid for the benefit of all residing in its service territory—incremental dollars that are being recovered through AIC's formula rate. It is prudent for AIC to spend a reasonable amount on advertising to explain to energy consumers what improvements are being undertaken and how the revenues are being invested.

For the reasons explained in the Company's initial brief and in this reply, the Commission should decline to adopt any portion of the AG and Mr. Brosch's adjustment to advertising expenses.

2. Safety Awareness and Recognition Spending

Staff "agree[s] that utility employee safety is important to utility customers" and "that utility customer safety is important to utility customers." (Ameren Cross Ex. 2.0 at 1-2 (AIC-ICC 4.01, 4.02).) Staff does not take the "position that safety recognition awards do not benefit customers." (*Id*. at 3 (AIC-ICC 4.03).) And in brief, Staff concedes that "[e]xpenses for safety-related awards and recognition may arguably encourage Company employees to be aware of safety issues . . . ." (Staff Init. Br. at 14.)

Yet Staff continues to advocate disallowance of the $154,000 that AIC spent in 2014 to recognize and award its employees' departmental safety accomplishments, based on Staff's belief that that spending is duplicative of safety-related incentive compensation. (Staff Init. Br. at 13-15.) AIC has already explained—in testimony and brief—why safety recognition spending

is not duplicative of safety-related incentive compensation and why both costs are recoverable under EIMA. (*See generally* Ameren Exs. 13.0 & 19.0; AIC Init. Br. at 43-50.) The Commission should approve recovery of both costs.

Staff's initial brief adds little to this discussion, so AIC will not repeat its arguments here. Staff's brief, however, raises three points that warrant a response.

First, Staff acknowledges that, together, AIC's safety recognition spending and safety-related incentive compensation award employees' safety accomplishments at the individual, departmental, and corporate levels. (Staff Init. Br. at 15.) Instead of supporting Staff's position, this undercuts it—if AIC did not use safety recognition awards, it would have no means of recognizing and awarding its employees' individual and small work group (departmental) safety achievements, or of doing so on an immediate, rolling basis. (Ameren Ex. 19.0 at 3.) This *highlights* why safety recognition awards do not duplicate safety-related incentive compensation.

It shows, for example, that without safety recognition awards, AIC couldn't reward an individual employee or department for going an entire year without a safety incident when corporate-wide safety-related incentive goals are not met and safety-related incentive compensation, consequently, is not paid. (*Id*.) This actually happened in 2014: AIC employees in Divisions III and IV did not receive safety-related incentive compensation, but 511 employees in those divisions were still recognized for their personal safety accomplishments with a safety recognition award. (*Id*. at 3-4.) That's 511 employees who went without a safety incident. (Ameren Ex. 13.0 at 5-7.) And since a single safety incident cost AIC $81,000 in workers compensation in 2014, the total $301,000 cost to recognize AIC employees' 2014 safety achievements is not only prudent and reasonable, but also undeniably modest. (*Id*. at 8.)

Second, in support of its recommendation to disallow safety recognition costs, Staff cites

the Docket 13-0301 order's finding that meals and snacks given to employees for safety accomplishments are perquisites. (Staff Init. Br. at 14-15 (*citing Ameren Ill. Co.*, Docket 13-0301, Order at 70 (Dec. 9, 2013).) But safety recognition, whatever the form, is important. (*See* Ameren Ex. 13. 0 at 3-4, 10-14.) And, as AIC explained in brief, circumstances have changed since the Docket 13-0301 order: AIC has established the 2014 Safety Awareness and Recognition Spending Guidelines, and the Commission has recognized that rewarding the same operational goals, such as safety, does not make the attendant costs duplicative. (AIC Init. Br. at 47-48.) AIC has also explained that safety recognition awards aren't perquisites: they are *only* earned by employees with significant safety achievements, and they are *only* earned by individual employees or small groups of employees. (Ameren Ex. 19.0 at 4.) And AIC has explained that safety recognition awards are not just recognition luncheons or dinners, anyway—they include safety-related items to safety meeting attendees or attendance by a presenter at a safety meeting, such as a speaker from the state police to talk about risks with distracted drivers. (*Id*. at 5.) Notably, Staff never responded to this aspect of safety recognition awards in testimony. (*Id*.) Yet, Staff would disallow the cost of these safety measures.

Finally, Staff declares that "[c]ustomers, who pay through rates for employees' base pay, incentive compensation, and other benefits, should not be required to pay again to motivate those same employees to be aware of safety issues." (Staff Init. Br. at 14.) There are two problems with this claim.

First, it puts form over substance. Customers aren't "pay[ing] again" for safety. AIC has simply chosen to allocate the dollars it spends to promote employee safety amongst more than one safety measure: to safety training, safety tools and equipment, safety committees, and the like, as well as to individual and departmental safety recognition awards and corporate-wide

safety-related incentive compensation. (Ameren Ex. 19.0 at 5.) Safety recognition awards can't be part of AIC's safety-related incentive compensation program because incentive compensation is paid annually in March, and safety recognition awards, on the other hand, continuously and more immediately recognize employees' safety accomplishments. (*Id*.)

Second, safety is undeniably important. (*Id*.) Again, Staff agrees with this. (Ameren Cross Ex. 2.0 at 1-2 (AIC-ICC 4.01, 4.02).) So it is appropriate for AIC to use *every* reasonable opportunity to focus its employees on safety. That doesn't mean, however, that any one safety measure is duplicative of another; *all* of AIC's safety measures, collectively, are necessary to the provision of safe utility service. (Ameren Ex. 19.0 at 5-6.) Just as it would not be appropriate for AIC to remove one safety measure, such as safety training, it would not be appropriate for AIC to remove another, such as safety recognition awards. (*Id*. at 6.)

The Commission should approve the reasonable, prudent, and indeed modest $154,000 that AIC spent in 2014 to recognize its employees' departmental safety achievements and, consequently, to promote future safety achievements and avoid potential safety-incident costs.

C. Recommended Operating Revenues and Expenses

1. Filing Year

2. Reconciliation Year

IV. COST OF CAPITAL AND RATE OF RETURN

A. Uncontested and Resolved Issues

1. Cost of Capital and Overall Rate of Return on Rate Base

a. Filing Year

b. Reconciliation Year

V. RECONCILIATION

VI. REVENUE REQUIREMENT

Dated: October 16, 2015

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Albert D. Sturtevant, an attorney, certify that on October 16, 2015, I caused a copy of the foregoing *Ameren Illinois Company's Reply Brief* to be served by electronic mail to the individuals on the Commission's Service List for Docket 15-0305.

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